Ministry of
Energy and
Resources

INSTITUTIONAL CONTROL MONITORING AND MAINTENANCE FUND

and the

INSTITUTIONAL CONTROL UNFORESEEN EVENTS FUND

FINANCIAL INFORMATION

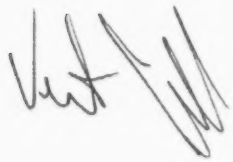
For the Year Ended March 31, 2011

Management's Responsibility for Financial Statements

The accompanying financial statements included in the annual report of the Institutional Control Monitoring and Maintenance Fund and the Institutional Control Unforeseen Events Fund for the year ended March 31, 2011, are the responsibility of the management of the Ministry of Energy and Resources. Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. The financial information presented elsewhere in the annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The financial statements have been audited by the Office of the Provincial Auditor. Its report to the Members of the Legislative Assembly, stating the scope of its examination and opinion on the financial statements, appears after the Introduction.



Kent Campbell
Deputy Minister
Energy and Resources
Regina, Saskatchewan
July 4, 2011

Introduction

The Institutional Control Monitoring and Maintenance Fund and the Institutional Control Unforeseen Events Fund were established on April 3, 2009, pursuant to Sections 11 and 12 of *The Reclaimed Industrial Sites Act* (Act). In 2007, the province legislated the Act and *The Reclaimed Industrial Sites Regulations* (Regulations) to establish and enforce the Institutional Control Program. The program implements the process for the long-term monitoring and maintenance of mine sites when mining/milling activities have ended, remediation has been completed and approved, and the sites are ready to be transferred to provincial responsibility. The two primary components of the program are the Institutional Control Registry and the aforementioned Institutional Control Funds. The registry will maintain a formal record of closed sites, manage the funding and perform any required monitoring and maintenance work.
The funds are administered by the Saskatchewan Ministry of Energy and Resources.

Program Purpose

In 2005, Saskatchewan initiated the formal development of an institutional control framework for the long-term management of decommissioned mine and mill sites on provincial Crown land. The development of the framework was to ensure the health, safety and well-being of future generations, provide greater certainty and closure for the mining industry as well as recognize past stated obligations by the province, as well as national and international obligations for storage of radioactive materials. In 2007, the province legislated the Act and Regulations to establish and enforce the Institutional Control Program.

As noted above, the two primary components of the program are the registry and the two Institutional Control Funds. The registry's work will include records of the location of a closed site and its former operator, site description and historical records of activities, site maintenance, monitoring and inspection documentation and future allowable land use for the site.

The Monitoring and Maintenance Fund will pay for long-term monitoring and maintenance; the Unforeseen Events Fund will pay for unforeseen future events. To address the province's risk of accepting sites into custodial responsibility and the costs of future monitoring and maintenance and unforeseen future events, the holder responsible for an individual site establishes dedicated site-specific funding. The funds are managed by the province but are legislated and independent from provincial revenue.

Program Activities

During the 2010-11 fiscal year, no site activity occurred and no additional sites were admitted to the program. In the 2009-10 fiscal year, the program accepted six sites into the registry and received the associated financial deposits to the Monitoring and Maintenance Fund and the Unforeseen Events Fund. With the acceptance of the first site the ministry officially established the financial accounts to accept monies and site reports to document site information.

No site activities were required in the 2010-11 fiscal year and no expenditures were made.

INSTITUTIONAL CONTROL FUND

MONITORING AND MAINTENANCE

FINANCIAL STATEMENTS

For The Year Ended March 31, 2011

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
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SASKATCHEWAN

Phone: (306) 787-6398
Fax: (306) 787-6383
Website: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Institutional Control Monitoring and Maintenance Fund, which comprise the statement of financial position as at March 31, 2011, and the statement of revenues, expenses and net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Institutional Control Monitoring and Maintenance Fund as at March 31, 2011, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 4, 2011

Bonnie Lysyk, MBA, CA
Provincial Auditor

INSTITUTIONAL CONTROL FUND
MONITORING AND MAINTENANCE
STATEMENT OF FINANCIAL POSITION
As at March 31

	2011	2010
Financial Assets		
Cash (Note 4)	$ 169,652	$ 169,652
Net Financial Assets (Statement 2) (Note 3)	$ 169,652	$ 169,652

(See accompanying notes to the financial statements)

INSTITUTIONAL CONTROL FUND
MONITORING AND MAINTENANCE
STATEMENT OF REVENUES, EXPENSES AND NET FINANCIAL ASSETS
Year Ended March 31

	Budget	Actual	
	2011 (Note 7)	2011	2010
Revenues			
Fees (Note 5)	$ ----	$ ----	$ 169,652
Interest (Note 4)	----	----	----
Total Revenues	----	----	169,652
Expenses			
Monitoring and Maintenance	----	----	----
Tender Costs	----	----	----
Administration Costs	----	----	----
Total Expenses	----	----	----
Excess of Revenues over Expenses		----	169,652
Net Financial Assets, beginning of year		169,652	----
Net Financial Assets, end of year – to Statement 1		$ 169,652	$169,652

(See accompanying notes to the financial statements)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

1. Authority

The Institutional Control Monitoring and Maintenance Fund (Fund) was established on April 3, 2009 pursuant to Sections 11 and 12 of *The Reclaimed Industrial Sites Act* (Act). In 2007, the Government of Saskatchewan legislated the Act and *The Reclaimed Industrial Sites Regulations* (Regulations) to establish and enforce the Institutional Control Program (ICP).

The purposes of the Institutional Control Program to:

- set out the conditions by which the Government of Saskatchewan will accept responsibility for land that, in consequence of development and use, requires long-term monitoring and, in certain circumstances, maintenance;
- ensure that the required monitoring and maintenance are carried out on that land;
- provide a funding mechanism to cover costs associated with the monitoring and maintenance on that land; and
- ensure that certain records and information are preserved with respect to that land.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable for the public sector. These financial statements do not present a statement of cash flows because this information is readily apparent from the statement of revenues, expenses and net financial assets.

Revenue

Fees are recognized as revenue when a site owner has completed decommissioning and reclamation work and the site has been accepted into the ICP's Registry.

Financial instruments and guarantees provided by site holders as security for monitoring and maintenance costs are recorded as financial assets and revenue of the fund when and to the extent they are deemed necessary to cover the monitoring and maintenance costs of a site. (Note 5)

Financial instruments and guarantees that are no longer deemed necessary to cover a maximum failure event are returned to the site owner.

3. Net Financial Assets

The net financial assets represent fees received in accordance with Section 4 of the Regulations. The net financial assets of the fund are available under Sections 11

and 12 of the Act to provide for the costs of long term planned monitoring and maintenance activities required at a site.

4. Cash

The fund's monies are on deposit with the Royal Bank and are held separately from the Government of Saskatchewan's General Revenue Fund (GRF). The Royal Bank currently is not paying interest on this account as it is a business current account that does not earn interest or incur service charges.

The ministry is working with the Ministry of Finance to put in place a Letter of Understanding, wherein the Ministry of Finance will facilitate investing activities until the fund becomes self sufficient and an investment manager is contracted to provide these services.

5. Fees

The Regulations require an owner applying for entry of a closed site into the ICP to pay the fund an amount representing the present value of the future costs associated with the monitoring and maintenance of the site.

In addition, as a condition of the site being accepted into the ICP, the Regulations require a site owner to provide the fund with:

a) an agreed-upon amount of security in the form of financial instruments that reflects the costs of dealing with a maximum failure event that could occur at the closed site; and / or
b) confirmations, satisfactory to the Minister, that addresses the site owner's legal responsibility and other conditions such as financial guarantees and credit worthiness to pay for a maximum failure event.

At March 31, 2011, the fund held $33,250 (2010 - $33,250) in financial instruments as security for maximum failure events at mine sites.

6. Related Party Transactions

Included in these financial statements are transactions with the government ministries and agencies related to the fund by virtue of common control by the Government of Saskatchewan.

The fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the GRF–Ministry of Energy and Resources. Once an investment manager is contracted, administrative costs will be charged to the fund.

7. Budget

There is currently no official budget for this fund as it is not anticipated that, aside from fees, there will be any activity at this time.

INSTITUTIONAL CONTROL FUND

UNFORESEEN EVENTS

FINANCIAL STATEMENTS

For The Year Ended March 31, 2011

Provincial Auditor Saskatchewan

1500 Chateau Tower
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INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Institutional Control Unforeseen Events Fund, which comprise the statement of financial position as at March 31, 2011, and the statement of revenues, expenses and net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Institutional Control Unforeseen Events Fund as at March 31, 2011, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 4, 2011

Bonnie Lysyk, MBA, CA
Provincial Auditor

INSTITUTIONAL CONTROL FUND
UNFORESEEN EVENTS
STATEMENT OF FINANCIAL POSITION
As at March 31

	2011	2010
Financial Assets		
Cash (Note 4)	$ 27,923	$ 27,923
Net Financial Assets (Statement 2) (Note 3)	$ 27,923	$ 27,923

(See accompanying notes to the financial statements)

INSTITUTIONAL CONTROL FUND
UNFORESEEN EVENTS
STATEMENT OF REVENUES, EXPENSES AND NET FINANCIAL ASSETS
Year Ended March 31

	Budget	Actual	
	2011 (Note 7)	2011	2010
Revenues			
Fees (Note 5)	$ ----	$ ----	$ 27,923
Interest (Note 4)	----	----	----
Total Revenues	----	----	27,923
Expenses			
Monitoring and Maintenance	----	----	----
Tender Costs	----	----	----
Administration Costs	----	----	----
Total Expenses	----	----	----
Excess of revenues over expenses		----	27,923
Net Financial Assets, beginning of year		27,923	----
Net Financial Assets, end of year – to Statement 1		$ 27,923	$ 27,923

(See accompanying notes to the financial statements)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

1. Authority

The Institutional Control Unforeseen Events Fund (Fund) was established on April 3, 2009 pursuant to Sections 11 and 12 of *The Reclaimed Industrial Sites Act* (Act). In 2007, the Government of Saskatchewan legislated the Act and *The Reclaimed Industrial Sites Regulations* (Regulations) to establish and enforce the Institutional Control Program (ICP).

The purposes of the Institutional Control Program are to:

- set out the conditions by which the Government of Saskatchewan will accept responsibility for land that, in consequence of development and use, requires long-term monitoring and, in certain circumstances, maintenance;
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Revenue

Fees are recognized as revenue when a site owner has completed decommissioning and reclamation work and the site has been accepted into the ICP's Registry.

3. Net Financial Assets

The net financial assets represent fees received in accordance with Section 4 of the Regulations. The net financial assets of the fund are available under Sections 11 and 12 of the Act to provide for the costs of unforeseen monitoring and maintenance activities required at a site.

4. Cash

The fund's monies are on deposit with the Royal Bank and are held separately from the Government of Saskatchewan's General Revenue Fund (GRF). The Royal Bank currently is not paying interest on this account as it is a business current account that does not earn interest or incur service charges.

The ministry is working with the Ministry of Finance to put in place a Letter of Understanding, wherein the Ministry of Finance will facilitate investing activities until the fund becomes self sufficient and an investment manager is contracted to provide these services.

5. Fees

Section 4(2) of the Regulations requires an owner applying for entry of a closed site into the ICP to pay the fund an amount representing 10 per cent (20 per cent for a closed site with tailings or engineered structures) of the present value of the future costs associated with the monitoring and maintenance of the site.

6. Related Party Transactions

Included in these financial statements are transactions with the government ministries and agencies related to the fund by virtue of common control by the Government of Saskatchewan.

The fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the GRF–Ministry of Energy and Resources. Once an investment manager is contracted, administrative costs will be charged to the fund.

7. Budget

There is currently no official budget for this fund as it is not anticipated that, aside from fees, there will be any activity at this time.